**8. Report of the Portfolio Committee on Cooperative Governance and Traditional Affairs on the Annual Performance Plan and Budget of the Department of Cooperative Governance and Traditional Affairs, Dated 04 July 2019**

Having met with the Department of Cooperative Governance and Traditional Affairs, and the entities reporting to it, on their 2019 – 2024 Strategic Plans and 2018/19 Annual Performance Plans (APPs), the Portfolio Committee on Cooperative Governance and Traditional Affairs, reports as follows:

1. **Background**

In terms of section 55(2) of the Constitution of the Republic of South Africa, (Act 108 of 1996), the National Assembly must provide for mechanisms: (a) to ensure that all executive organs of state in the national sphere of government are accountable to it; and, (b) to maintain oversight of –

1. The national executive authority, including the implementation of legislation; and
2. Any organ of state.

The Money Bills Amendment Procedure and Related Matters Act, (Act 9 of 2009) vests powers in Parliament to reject or recommend budgets of national government departments. The Act further makes provision for the implementation of recommendations emanating from the Committee oversight.

The Committee exercises its mandate of oversight in line with the above-mentioned legislative framework over the Department of Cooperative Governance and Traditional Affairs (COGTA) and its entities, as follows -

1. the Municipal Demarcation Board (MDB);
2. the Commission for the Promotion and Protection of the Rights of Cultural, Religious and Linguistic Communities (CRL Rights Commission);
3. the South African Local Government Association (SALGA); and
4. Municipal Infrastructure Support Agent (MISA)

The Committee met with the Department of COGTA on 02 and 03 July 2019, to receive a briefing on the Strategic and Annual Performance Plans and the Budget of the Department. The Committee also met with SALGA, CRL Rights Commission and MDB on 03 July 2019 to receive a briefing on their Five-year Strategic Plan, APP and their Budget.

1. **Introduction**

This an overview and analysis of the Budget with special focus on the Estimates of National Expenditure (ENE) and Budget Review, as well as the strategic and operational plans of departments for the 2019/20 financial year. The budget analysis seeks to provide a summary and analysis of the budget, as well as a snapshot of how the budget will affect the Department of Cooperative Governance and Traditional Affairs (CoGTA). The analysis will also provide a short review of progress with service delivery in respect of the 2018/19 budget.

1. **Overview of performance during the 2017/18 financial year**

For the period under review, the Department’s stated mandate and key objectives related to,

* Investing in skills development in municipalities.
* Providing infrastructure planning, delivery, operation and maintenance, infrastructure management, financial management and resolve governance and administration issues in the 27 priority district municipalities, as well as in the 55 municipalities diagnosed as distressed or dysfunctional.
* Improving water conservation and water demand management in municipalities in order to limit non-revenue water losses in view of the difficult situation South Africa faces as a water scarce country.
* Coordinating multi-sectoral intervention measures to address the drought situation in all affected provinces.
	1. **Skills development in municipalities**

To invest in skills development in municipalities, especially the development of engineering capacity, the Municipal Infrastructure Support Agent (MISA) envisaged deploying 150 Young Graduates to municipalities through its Young Graduate Programme. During the first quarter, MISA had deployed 67 Young Graduates.[[1]](#footnote-1)

* 1. **Infrastructure in 27 Districts and 55 municipalities**

To build permanent technical capacity in the 55 municipalities diagnosed as distressed or dysfunctional, MISA had established 12 district technical support teams in 39 municipalities by May 2018. It anticipated establishing six additional teams by October 2018 to support the remaining 16 municipalities.[[2]](#footnote-2)

MISA also envisaged assessing the 27 district municipalities prioritised for targeted support towards the eradication of service backlogs. The outcome of the assessments would form the basis for developing tailored support plans. MISA targeted assessing 22 districts by the end of the 2018/19 financial year.

* 1. **Limiting non-revenue water losses**

A 2017 study revealed that 37% of South Africa’s water supply is lost through leaks across many cities.[[3]](#footnote-3) Thus, a significant portion of water that is treated and supplied into water distribution infrastructure is physically lost before it reaches users. As the Financial and Fiscal Commission (FFC) further notes, ‘a further significant proportion of what is supplied reaches users but is not accounted for and users are not billed for its supply.’[[4]](#footnote-4) This, together with the drought conditions that prevailed during the period under review, made it more important for municipalities to improve loss management in respect of water services. The FFC notes that Government has made little progress, despite the national prioritisation of the need to reduce non-revenue water losses.

* 1. **Drought interventions measures**

The Department’s Disaster Management Programme - which is responsible for promoting an integrated and coordinated system of disaster prevention, mitigation and risk management - received an additional once-off allocation of R1.2 billion to provide immediate drought relief and future mitigation funding to affected sectors, such as water, agriculture and environmental affairs. The funding was in the form of the municipal disaster recovery grant, which Government transferred to three severely drought-stricken metropolitan municipalities: Cape Town, Nelson Mandela Bay and Mangaung.

* 1. **Other relevant developments**

The period under review also witnessed a number of municipalities undergoing investigation for unlawfully investing millions of rand in the VBS Mutual Bank, in contravention of Treasury Regulations. Section 71(1) of the Municipal Finance Management Act (MFMA),[[5]](#footnote-5) requires the Accounting Officer of a municipality to submit a report, in a prescribed format, to the Executive Mayor within 10 working days after the end of each month. The report should detail the state of the municipality’s budget reflecting actual revenue, actual expenditure, any allocations received, actual borrowings, and any other budget information as National and Provincial Treasury may require for monitoring purposes. The fact that this provision could not be complied with points to the need for improved oversight over section 71 reporting. In this regard, National Treasury may need to consider involving CoGTA and the South African Local Government Association (SALGA) in the analysis of these reports. National Treasury should also consider capacity building for people involved in analysing the reports.

* 1. **Summary of budget expenditure**

The total budget allocated to the Department in 2018/19 amounted to R83.6 billion, which was later adjusted to R85 billion. As at 28 February 2019, total expenditure amounted to R59.6 billion or 83 percent of the allocated budget.[[6]](#footnote-6) Table 1 depicts the Department’s monthly expenditure trends from April 2018 to February 2019.



*Data Source:* National Treasury (2019).

The municipal financial year runs from 1 July to 30 June of the following year. Furthermore, Government disburses equitable share allocations to municipalities during December. The bulk of the budget allocated to the Department consists of transfers and subsidies to provinces and municipalities, primarily through the local government equitable share and the municipal infrastructure grant. This explains the spike in expenditure witnessed during these periods in Table 1 above.

1. **Policy Priorities for 2019/20**

The implementation of the second phase of the ‘Back to Basics’ Programme is CoGTA’s key policy priority for the 2019/20 financial year. The Department introduced the Programme during the 2014/15 financial year, and implemented its first phase in the course of the 2014-2019 Medium Term Strategic Framework (MTSF) period. In its first iteration, the Programme consisted of five pillars, which aligned to the Department’s five 2014-2019 MTSF sub-outcomes, as tabulated below.

|  |  |
| --- | --- |
| **Back to Basics Pillars** | **CoGTA’s 2014-2019 MTSF sub-outcomes** |
| 1. Putting people first: let’s listen and communicate
 | Local public employment programmes expanded through the Community Work Programme.  |
| 1. Consistent provision of services to the right quality and standard
 | Members of society have sustainable and reliable access to basic services |
| 1. Good governance and transparent administration
 | Democratic, well-governed and effective municipal institutions capable of carrying out their development mandate as per the Constitution |
| 1. Sound financial management and accounting
 | Sound financial management |
| 1. Robust institutions with skilled and capable staff
 | Strengthened intergovernmental arrangements for a functional system of cooperative governance for local government |

The Department provides a template for all municipalities to report, on a monthly basis, on progress in the implementation of these pillars. Marking the second phase of Back to Basics is the introduction of three additional pillars: disaster management, spatial transformation and local economic development. Considering that the progress made in the implementation of the original five pillars has not been particularly encouraging, Parliament may need to question the wisdom of three additional pillars.

Table 1: Overall Budget Allocation

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Programme** | **Budget** | **Nominal Increase / Decrease in 2019/20 [[7]](#footnote-7)** | **Real Increase/Decrease in 2019/20 [[8]](#footnote-8)** | **Nominal Percent change in 2019/20** | **Real Percent change in 2019/20** |
| **R million** | **2018/19** | **2019/20** |
|  |  |  |  |  |  |  |
| 1. Administration
 |  278,5 |  275,7 | -2,8 | -16,4 | -1,01 per cent | -5,90 per cent |
| 1. Regional and Urban Development and Legislative Support
 |  104,4 |  966,6 |  862,2 |  814,4 | 825,86 per cent | 780,10 per cent |
| 1. Institutional Development
 |  63 114,7 |  69 370,3 |  6 255,6 |  2 826,6 | 9,91 per cent | 4,48 per cent |
| 1. National Disaster Management Centre
 |  1 967,7 |  761,2 | -1 206,5 | - 1 244,1 | -61,32 per cent | -63,23 per cent |
| 1. Local Government Support and Intervention Management
 | 15 708,1 |  15 259,8 | -448,3 | - 1 202,6 | -2,85 per cent | -7,66 per cent |
| 1. Community Work Programme
 |  3 863,7 |  4 084,1 |  220,4 |  18,5 | 5,70 per cent | 0,48 per cent |
|  |  |  |  |  |  |  |
| **Total** |  85 037,1 |  90 717,7 |  5 680,6 |  1 196,5 | 6,68 per cent | 1,41 per cent |

As illustrated in Table 2 above, the overall budget allocation to the Department increases by 1.4 percent in real terms, from R85 billion in 2018/19 to R90.7 billion in 2019/20. The main cost drivers are Programmes 3, 5 and 6, which transfer the Local Government Equitable Share (LGES) and the Municipal Infrastructure Grant (MIG), as well as to administer payments to participants in the Community Work Programme (CWP), respectively. As Figure 1 below illustrates, the three programmes constitute more than 95 of the Department’s total budget allocation.

Figure

Figure one also shows strong growth in allocation to the LGES (Programme 3), which will continue over the next three years. The MIG allocation on the other hand continues to decline in line with the significant reductions in conditional grants witnessed in the 2018 Medium Term Expenditure Framework (MTEF) period. In this regard, ‘government has repeatedly emphasized the importance of municipalities focusing on growing their own revenue base in order to expand resources available for local service delivery.’[[9]](#footnote-9) A process is already under way to assist qualifying non-metropolitan municipalities to shift from the MIG to the new Integrated Urban Development Grant (IUDG), which ‘has different planning requirements and incentives intended for more integrated developments and greater leveraging of non-grant finance.’[[10]](#footnote-10)

* 1. **Programme 1: Administration**

Table 2

| **Sub-Programme** | **Budget** | **Nominal Rand change** | **Real Rand change** | **Nominal % change** | **Real % change** |
| --- | --- | --- | --- | --- | --- |
| R million | **2018/19** | **2019/20** |  |  **2018/19-2019/20** |  **2018/19-2019/20** |
| 1. Ministry
 |  36 488,0 |  31 505,0 | -4 983,0 | - 6 540,3 | -13,66 per cent | -17,92 per cent |
| 1. Management
 |  18 447,0 |  19 775,0 |  1 328,0 |  350,5 | 7,20 per cent | 1,90 per cent |
| 1. Corporate Services
 |  126 606,0 |  121 095,0 | - 5 511,0 | - 11 496,7 | -4,35 per cent | -9,08 per cent |
| 1. Financial Services
 |  35 421,0 |  43 347,0 |  7 926,0 |  5 783,4 | 22,38 per cent | 16,33 per cent |
| 1. Internal Audit and Risk Management
 |  12 972,0 |  14 555,0 |  1 583,0 |  863,6 | 12,20 per cent | 6,66 per cent |
| 1. Office Accommodation
 |  48 522,0 |  45 431,0 | - 3 091,0 | - 5 336,6 | -6,37 per cent | -11,00 per cent |
|  |  |  |  |  |  |  |
| **TOTAL** |  **278 456,0** |  **275 708,0** | **-2 748,0** | **-16 376,2** | **-0,99 percent** | **-5,88per cent** |

Programme 1 provides strategic leadership, management and support services to the Department. As seen in Table 3, the overall allocation to the Programme decreases by 5.8 percent in real terms. Figure 2 below indicates that the main cost driver is the Corporate Services Sub-programme.

Figure

* 1. **Programme 2: Regional and Urban Development and Legislative Support**

Table 3:

| **Sub-Programme** | **Budget** | **Nominal Rand change** | **Real Rand change** | **Nominal % change** | **Real % change** |
| --- | --- | --- | --- | --- | --- |
| R million | **2018/19** | **2019/20** |  |  **2018/19-2019/20** |  **2018/19-2019/20** |
| 1. Management: Regional and Urban Development and Legislative Support
 |  1 414,0 |  3 653,0 |  2 239,0 |  2 058,4 | 158,35 per cent | 56,35 per cent |
| 1. Local Government Legislative Support and Institutional Establishment
 |  6 329,0 |  6 742,0 |  413,0 |  79,7 | 6,53 per cent | 1,18 per cent |
| 1. Urban Development Planning
 |  13 098,0 |  11 255,0 | - 1 843,0 | - 2 399,3 | -14,07 per cent | -21,32 per cent |
| 1. Spatial Planning Districts and Regions
 |  11 527,0 |  12 268,0 |  741,0 |  134,6 | 6,43 per cent | 1,10 per cent |
| 1. Intergovernmental Policy and Practice
 |  7 086,0 |  11 453,0 |  4 367,0 |  3 800,9 | 61,63 per cent | 33,19 per cent |
| 1. Municipal Demarcation Board
 |  55 568,0 |  56 568,0 |  1 000,0 | - 1 796,1 | 1,80 per cent | -3,18 per cent |
| 1. South African Cities Network
 |  9 353,0 |  7 765,0 | - 1 588,0 | - 1 971,8 | -16,98 per cent | -25,39 per cent |
| 1. Integrated Urban Development Grant
 |  | 856 895,0 |  856 895,0 |  814 539,0 |  |  |
|  |  |  |  |  |  |  |
| **TOTAL** |  **104 375,0** |  **966 599,0** |  **862 224,0** |  **814 445,3** | **825,86 per cent** | **780,10 per cent** |

Programme 2 provides policy analysis towards improving local government and cooperative governance. As seen in Table 4, allocation to this Programme increases by 780 percent in real terms due the introduction of a new grant: the Integrated Urban Development Grant (IUDG). Figure 3 below depicts this information graphically. The IUDG allocation is a portion of the R2.9 billion shifted from the MIG as part of Government’s technical adjustments. As noted earlier, Government is encouraging qualifying non-metropolitan municipalities to shift towards greater leveraging of non-grant finance in line with the purposes of the IUDG.

**4.3 Programme 3: Institutional Development**

Table 4

| **Sub-Programme** | **Budget** | **Nominal Rand change** | **Real Rand change** | **Nominal % change** | **Real % change** |
| --- | --- | --- | --- | --- | --- |
| R million | **2018/19** | **2019/20** |  |  **2018/19-2019/20** |  **2018/19-2019/20** |
| 1. Management Institutional Development
 |  2 493,0 |  3 637,0 |  1 144,0 |  964,2 | 45,89 per cent | 38,68 per cent |
| 1. Municipal Human Resource Management Systems
 |  10 203,0 |  10 419,0 |  216,0 | - 299,0 | 2,12 per cent | -2,93 per cent |
| 1. Municipal Finances
 |  25 955,0 |  31 154,0 |  5 199,0 |  3 659,1 | 20,03 per cent | 14,10 per cent |
| 1. Citizen Engagement
 |  7 304,0 |  7 526,0 |  222,0 | - 150,0 | 3,04 per cent | -2,05 per cent |
| 1. Anti-Corruption and Good Governance
 |  6 674,0 |  5 678,0 | - 996,0 | - 1 276,7 | -14,92 per cent | -19,13 per cent |
| 1. Municipal Property Rates
 |  11 958,0 |  12 494,0 |  536,0 | - 81,6 | 4,48 per cent | -0,68 per cent |
| 1. Local Government Equitable Share
 | 62 731 845,0 | 68 973 465,0 | 6 241 620,0 | 2 832 285,2 | 9,95 per cent | 4,51 per cent |
| 1. South African Local Government Association
 |  33 100,0 |  33 879,0 |  779,0 | - 895,6 | 2,35 per cent | -2,71 per cent |
| 1. Municipal Systems Improvement Grant
 |  115 116,0 |  121 562,0 |  6 446,0 |  437,2 | 5,60 per cent | 0,38 per cent |
| 1. Department of Traditional Affairs
 |  163 306,0 |  163 351,0 |  45,0 | - 8 029,4 | 0,03 per cent | -4,92 per cent |
| 1. United Cities and Local Government of Africa
 |  6 782,0 |  7 162,0 |  380,0 |  26,0 | 5,60 per cent | 0,38 per cent |
|  |  |  |  |  |  |  |
| **TOTAL** | **63 114 736,0** | **69 370 327,0** | **6 255 591,0** | **2 826 639,5** | **9,91 per cent** | **4,48 per cent** |

Programme 3 seeks to build institutional resilience in the local government system. As seen in Table 5, the overall allocation to the Programme increases by 4.4 percent in real terms. As Figure 4 illustrates, this percentage increase mainly relates to Sub-programme 7, the LGES, which receives an additional R2.8 billion in real terms. The LGES is unconditional funding designed to fund the provision of free basic services to disadvantaged communities. Its increase covers ‘the anticipated increase in costs of providing free basic services to a growing number of households, and takes account of likely above-inflation increases in the costs of bulk water and electricity.’[[11]](#footnote-11)This is in line with the Department’s priority of providing members of society with access to sustainable and reliable access to basic services.

* 1. **Programme 4: National Disaster Management Centre**

| **Sub-Programme** | **Budget** | **Nominal Rand change** | **Real Rand change** | **Nominal % change** | **Real % change** |
| --- | --- | --- | --- | --- | --- |
| R million | **2018/19** | **2019/20** |  |  **2018/19-2019/20** |  **2018/19-2019/20** |
| 1. Management: Head of the National Disaster Management Centre
 |  4 101,0 |  4 070,0 | - 31,0 | - 232,2 | -0,76 per cent | -5,66 per cent |
| 1. Disaster Risk Reduction, Capacity Building and Intervention
 |  51 592,0 |  51 785,0 |  193,0 | - 2 366,7 | 0,37 per cent | -4,59 per cent |
| 1. Legislation and Policy Management
 |  6 352,0 |  6 785,0 |  433,0 |  97,6 | 6,82 per cent | 1,54 per cent |
| 1. Integrated Provincial Disaster Management Support, Monitoring and Evaluation Systems
 |  3 405,0 |  4 834,0 |  1 429,0 |  1 190,1 | 41,97 per cent | 34,95 per cent |
| 1. Fire Services
 |  3 259,0 |  4 712,0 |  1 453,0 |  1 220,1 | 44,58 per cent | 37,44 per cent |
| 1. Information Technology, Intelligence and Information Management Systems
 |  19 648,0 |  28 700,0 |  9 052,0 |  7 633,4 | 46,07 per cent | 38,85 per cent |
| 1. Disaster Relief Grant
 |  672 871,0 |  466 392,0 | - 206 479,0 | - 229 532,6 | -30,69 per cent | -34,11 per cent |
| 1. Municipal Disaster Recovery Grant
 | 1 190 136,0 |  193 953,0 | - 996 183,0 | -1 005 770,0 | -83,70 per cent | -84,51 per cent |
| 1. Provincial Disaster Recovery Grant
 |  16 304,0 |  0,0 | - 16 304,0 | - 16 304,0 | -100,00 per cent | -100,00 per cent |
|  |  |  |  |  |  |  |
| **TOTAL** | **1 967 668,0** |  **761 231,0** | **-1 206 437,0** | **-1 244 064,4** | **-61,31 per cent** | **-63,23 per cent** |

Programme 4 promotes an integrated and coordinated system of disaster prevention, mitigation and risk management. Table 6 indicates that the budget allocated to this Programme decreases by 63 percent in real terms. This is due to the additional once-off allocation of R1.2 billion the Programme received in 2018/19 to provide immediate drought relief and future mitigation funding to affected sectors such as water, agriculture and environmental affairs.[[12]](#footnote-12) As illustrated in Figure 5, the once-off allocation was in respect of sub-programme 8 – the Municipal Disaster Recovery Grant. Further contributing to the reduction in the Programme budget is the 34 percent decrease in the allocation to the Disaster Relief Grant, as well as the fact there is no allocation to the Provincial Disaster Recovery Grant in 2019/20.

Figure 3

* 1. **Local Government Support and Intervention Management**

| **Sub-Programme** | **Budget** | **Nominal Rand change** | **Real Rand change** | **Nominal % change** | **Real % change** |
| --- | --- | --- | --- | --- | --- |
| R million | **2018/19** | **2019/20** | **2020/21** | **2021/22** |  **2018/19-2019/20** |  **2018/19-2019/20** |
| 1. Management: Local Government Support and Interventions
 |  3 501,0 |  3 715,0 |  0,0 |  0,0 |  214,0 |  30,4 | 6,11 per cent | 0,87 per cent |
| 1. Municipal Performance Monitoring
 |  6 901,0 |  11 907,0 |  0,0 |  0,0 |  5 006,0 |  4 417,4 | 72,54 per cent | 64,01 per cent |
| 1. Local Government Improvement Programme
 |  29 477,0 |  35 866,0 |  0,0 |  0,0 |  6 389,0 |  4 616,2 | 21,67 per cent | 15,66 per cent |
| 1. Litigation and Interventions
 |  3 455,0 |  8 501,0 |  0,0 |  0,0 |  5 046,0 |  4 625,8 | 146,05 per cent | 133,89 per cent |
| 1. Municipal Infrastructure Administration
 |  34 598,0 |  39 735,0 |  0,0 |  0,0 |  5 137,0 |  3 172,9 | 14,85 per cent | 9,17 per cent |
| 1. Municipal Infrastructure Grant
 | 15 287 685,0 | 14 816 103,0 |  0,0 |  0,0 | - 471 582,0 | -1 203 936,9 | -3,08 per cent | -7,88 per cent |
| 1. Municipal Infrastructure Support Agent
 |  342 456,0 |  343 976,0 |  0,0 |  0,0 |  1 520,0 | - 15 482,6 | 0,44 per cent | -4,52 per cent |
|  |  |  |  |  |  |  |  |  |
| **TOTAL** | **15 708 073,0** | **15 259 803,0** |  **0,0** |  **0,0** | **- 448 270,0** | **-1 202 556,8** | **-2,85 per cent** | **-7,66 per cent** |

Programme 5 conducts performance monitoring, support and interventions in municipalities and provincial departments of cooperative governance that will drive Back to Basics activities. Overall allocation to the Programme decreases by 7.6 percent in real terms. This mainly relates to Sub-programme 6, where allocations to the MIG continue to decline in line with the significant reductions in conditional grants witnessed in the 2018 MTEF period. Over the 2019/20 MTEF, Government also transfers R2.9 billion from the MIG to the new IUDG. Figure 6 is a graphic representation of this trend. Government expects municipalities with significant revenue bases to invest more of their own resources, offsetting some of the impact of reductions to infrastructure grants, while building partnerships with the private sector for infrastructure delivery. [[13]](#footnote-13)

Figure

* 1. **Programme 6: Community Work Programme**

Table 5

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Sub-Programme** | **Budget** | **Nominal Rand change** | **Real Rand change** | **Nominal % change** | **Real % change** |
| R million | **2018/19** | **2019/20** | **2020/21** | **2021/22** |  **2018/19-2019/20** |  **2018/19-2019/20** |
| 1. Management: Community Work Programme
 | 3 814 134,0 | 4 024 890,0 |  0,0 |  0,0 |  210 756,0 |  11 807,1 | 5,53 per cent | 0,31 per cent |
| 1. Programme Coordination
 |  36 413,0 |  45 260,0 |  0,0 |  0,0 |  8 847,0 |  6 609,8 | 24,30 per cent | 18,15 per cent |
| 1. Partnerships, Norms, Standards and Innovation
 |  13 156,0 |  13 969,0 |  0,0 |  0,0 |  813,0 |  122,5 | 6,18 per cent | 0,93 per cent |
|  |  |  |  |  |  |  |  |  |
| **TOTAL** | **3 863 703,0** | **4 084 119,0** |  **0,0** |  **0,0** |  **220 416,0** |  **18 539,4** | **5,70 per cent** | **0,48 per cent** |

Programme 6 seeks to respond to the structural nature of unemployment in South Africa to help address the paradox of an economy unable to absorb the labour of people that are willing to and able to work. Allocation to this Programme increases by 0.5 percent in real terms, most of which relates to Sub-programme 1, as Figure 7 below illustrates. The management of this Programme has been the Department’s major source of weakness, which culminated in a disclaimed audit opinion in 2017/18 and late tabling of the 2017/18 Annual Report. This is the worst audit opinion since the Department’s establishment in 2009. It also flies in the face of the Department’s priority of expanding local public employment programmes. The Programme thus demands stronger parliamentary oversight.

Figure

1. **Implementation of 2017/18 Budgetary Review Recommendations**

|  |  |
| --- | --- |
| **2017/18 Recommendations** | **Progress** |
| * 1. The Department of Cooperative Governance must address the weak levels of assurance, which the Auditor-General identified in respect of the Executive Authority, Accounting Officer and Senior Management.
 | **Ongoing** |
| * 1. The Department of Cooperative Governance must consider undertaking a comprehensive review of the Community Work Programme, including identifying the key problem areas and devising mechanisms to deal effectively with the identified challenges.
 | **Ongoing** |
| * 1. The Portfolio Committee must invite all the municipalities with deposits in the VBS Mutual Bank in order to understand better the impact of the Bank’s possible liquidation on the financial and service delivery performance of these municipalities.
 | **Ongoing** |
| * 1. The MDB should explore the possibility of submitting its proposed amendments to the Demarcation Act directly to the Portfolio Committee, which can deal with the amendments as a Committee Bill.
 | **Ongoing** |

1. **Committee Observations**

The Committee noted that:

* While appreciating the progress local government has made in terms of service delivery since the dawn of democracy, and the institutional and financial support it is currently receiving, there seems to be no commensurate positive impact on local communities on the ground.
* The bulk of SALGA’s budget seemed concentrated on personnel compensation, leaving insufficient budget allocation for the core mandate of the entity.
* It is not acceptable that out of 257 municipalities, only 18 attained a clean audit. The Department of Cooperative Governance’s Strategic and Annual Performance Plans do not seem to give sufficient emphasis on how to address this matter decisively.
* Having received a disclaimed audit opinion during the 2017/18 financial year, the Department of Cooperative Governance is not setting a good example for municipalities to emulate. This has weakened the Department’s legitimacy to demand clean audits from municipalities.
* Some amalgamations have a negative impact on the financial viability of the merged municipalities, resulting in instances where previously healthy municipalities become financially unsustainable due to amalgamation with distressed or dysfunctional municipalities. These indicate that the Municipal Demarcation Board is not undertaking sufficient field research and stakeholder engagement before embarking on demarcation and delimitation processes.
1. **Committee Recommendations**
* MISA’s annual performance targets, as presented to the Committee did not seem to translate into tangible outputs on the ground. The entity should consider a more practical way of measuring the impact of its work.
* The Department of Cooperative Governance should submit to the Portfolio Committee an audit action plan to address the issues raised in the disclaimed audit opinion, including the tangible progress made thus far.
* There are reports that some individuals implicated in the unlawful deposit of municipal funds in the VBS Mutual Bank received golden handshakes, while the unrecovered funds negatively affected service delivery, especially in respect of water. The Department of Cooperative Governance should prepare a briefing on the consequences for those implicated, and the Portfolio Committee should consider conducting oversight to the affected municipalities.
* The Portfolio Committee should insist on perusing the quarterly reports of departments and entities on a regular basis in order to avoid reacting to issues only towards the end of the financial year when it is too late to correct problems.
* To minimise disputes over municipal boundary changes, the MDB should improve its regional footprint, and its consultation processes including outreach and field research programmes.
* The CRL Rights Commission should broaden its project on reviving diminishing languages to include more languages that are in danger of extinction.
* The Commission should accelerate its capacity building on alternative dispute resolutions for cultural, religious, and linguistic communities to ensure diffusion of cultural, religious and linguistic tensions and to build a cohesive society.
* SALGA should improve its support in the implementation of the SPLUMA to foster cooperation between traditional leaders and municipalities in respect of the implementation of the legislation.
* The Inter-ministerial Task Team appointed to resolve the municipal debt crisis should report to the Portfolio Committee on progress made thus far.
* The Department of Cooperative Governance should develop an action plan to assist in dealing with the increasing number of municipalities with poor audit outcomes and report to the Committee on progress in this regard.

 **Report to be considered.**

1. CoGTA (2018). [↑](#footnote-ref-1)
2. Ibid. [↑](#footnote-ref-2)
3. SALGA (2018). [↑](#footnote-ref-3)
4. FFC (2019). [↑](#footnote-ref-4)
5. Act No. 56 of 2003. [↑](#footnote-ref-5)
6. National Treasury (2019). [↑](#footnote-ref-6)
7. The nominal increases/decreases do not consider inflation. [↑](#footnote-ref-7)
8. The real increases/decreases do consider the effects of inflation. [↑](#footnote-ref-8)
9. National Treasury (2019). [↑](#footnote-ref-9)
10. Ibid. [↑](#footnote-ref-10)
11. National Treasury (2019). [↑](#footnote-ref-11)
12. National Treasury (2019). [↑](#footnote-ref-12)
13. National Treasury (2019). [↑](#footnote-ref-13)